

Illinois-American Water Company
Statement of Operating Income with Adjustments
For the Test Year Ended December 31, 2001
Champaign District

Line No	Description (A)	Company Pro Forma Present (C-2) (B)	Staff Adjustments (St. Ex. 1.0 Sch 1.2-CP) (C)	Staff Pro Forma Present (Cols. B+C) (D)	Company Proposed Increase (C-1) (E)	Staff Gross Revenue Conversion Factor (F)	Proposed Rates with Staff Adjustments (Cols. D+E+F) (G)	Adjustment To Proposed Increase (H)	Staff Pro Forma Proposed (Cols. G+H) (I)	Revenue Change (Col I-D) (J)	% Revenue Change (3) (K)
1	Water Sales	\$ 15,558,796	\$ -	\$ 15,558,796	\$ 1,519,095	\$ (4,493)	\$ 17,073,398	\$ (408,270)	\$ 16,665,128		
2	Other Operating Revenue	178,629	-	178,629	-	-	178,629	-	178,629		
3	Total Operating Revenue	15,737,425	-	15,737,425	1,519,095	(4,493)	17,252,027	(408,270)	16,843,757	\$ 1,106,332	7.03%
4											
5	Uncollectible Accounts	59,930	-	59,930	9,976	(30)	69,876	(2,681)	67,195		
6	Salaries & Wages	3,001,818	-	3,001,818	-	-	3,001,818	-	3,001,818		
7	Employee Benefits	845,131	-	845,131	-	-	845,131	-	845,131		
8	Operating Expenses	1,828,807	-	1,828,807	-	-	1,828,807	-	1,828,807		
9	Maintenance - Other	490,804	-	490,804	-	-	490,804	-	490,804		
10	Administrative & General Expenses	1,323,634	(31,749)	1,291,885	-	-	1,291,885	-	1,291,885		
11	Regulatory Expense	22,515	(1,724)	20,791	-	-	20,791	-	20,791		
12	Miscellaneous	1,078,979	(4,227)	1,074,752	-	-	1,074,752	-	1,074,752		
13	Depreciation & Amortization Expenses	2,425,163	-	2,425,163	-	-	2,425,163	-	2,425,163		
14	Taxes Other Than Income Tax	805,737	-	805,737	1,643	(1,643)	805,737	-	805,737		
15		-	-	-	-	-	-	-	-		
16	Total Operating Expense										
17	Before Income Taxes	11,882,518	(37,700)	11,844,818	11,619	(1,673)	11,854,764	(2,681)	11,852,083		
18											
19	State Income Tax	65,092	1,405	66,497	60,455	(297)	126,655	(16,216)	110,439		
20	Federal Income Tax	679,950	11,811	691,761	508,098	(2,524)	1,197,335	(136,280)	1,061,055		
21	Deferred Taxes and ITCs Net	(95,305)	-	(95,305)	-	-	(95,305)	-	(95,305)		
22	Total Operating Expenses	12,532,255	(24,484)	12,507,771	580,172	(4,494)	13,083,449	(155,177)	12,928,272		
23											
24	NET OPERATING INCOME	\$ 3,205,170	\$ 24,484	\$ 3,229,654	\$ 938,923	\$ -	\$ 4,168,578	\$ (253,093)	\$ 39,154,485		
25	Staff Rate Base								\$ 46,612,929	(1)	
26	Staff Overall Rate of Return								8.40%	(2)	

(1) Source: ICC Staff Ex. 1.0, Schedule 1.3-CP, Column (D).

(2) Source: ICC Staff Ex. 3.0, Schedule 3.1.

(3) Source: Column (J), Line 3, divided by Column (D), Line 3.

Illinois-American Water Company
Adjustments to Operating Income
For the Test Year Ended December 31, 2001
Champaign District

Line No	Description (A)	Interest Synchron- ization (St. Ex. 1.0 Sch 1.6-CP)	Rate Case Expense (St. Ex 1.0 Sch 1.9-CP)	Charitable Contributions Expense (St. Ex 1.0 Sch 1.10-CP)	Champaign Office Building Lease Expense (St. Ex 1.0 Sch 1.12-CP)	(F)	(G)	(H)	(I)	(J)	Total Operating Statement Adjustments (K)
		(B)	(C)	(D)	(E)						
1	Water Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	Other Operating Revenue	-	-	-	-	-	-	-	-	-	-
3	Total Operating Revenue	-	-	-	-	-	-	-	-	-	-
4											
5	Uncollectible Accounts	-	-	-	-	-	-	-	-	-	-
6	Salaries & Wages	-	-	-	-	-	-	-	-	-	-
7	Employee Benefits	-	-	-	-	-	-	-	-	-	-
8	Operating Expenses	-	-	-	-	-	-	-	-	-	-
9	Maintenance - Other	-	-	-	-	-	-	-	-	-	-
10	Administrative & General Expenses	-	-	-	(31,749)	-	-	-	-	-	(31,749)
11	Regulatory Expense	-	(1,724)	-	-	-	-	-	-	-	(1,724)
12	Miscellaneous	-	-	(4,227)	-	-	-	-	-	-	(4,227)
13	Depreciation & Amortization Expense	-	-	-	-	-	-	-	-	-	-
14	Taxes Other Than Income Tax	-	-	-	-	-	-	-	-	-	-
15		-	-	-	-	-	-	-	-	-	-
16	Total Operating Expense										
17	Before Income Taxes	-	(1,724)	(4,227)	(31,749)	-	-	-	-	-	(37,700)
18											
19	State Income Tax	(102)	69	169	1,269	-	-	-	-	-	1,405
20	Federal Income Tax	(856)	579	1,420	10,668	-	-	-	-	-	11,811
21	Deferred Taxes and ITCs Net	-	-	-	-	-	-	-	-	-	-
22	Total Operating Expenses	(958)	(1,076)	(2,638)	(19,812)	-	-	-	-	-	(24,484)
23											
24	NET OPERATING INCOME	\$ 958	\$ 1,076	\$ 2,638	\$ 19,812	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,484

Illinois-American Water Company
Rate Base
For the Test Year Ended December 31, 2001
Champaign District

Line No	Description (A)	Company Pro Forma (B-1a) (B)	Staff Adjustment (St. Ex. 1.0 Sch 1.4-CP) (C)	Staff Pro Forma (Col B+C) (D)
1	Gross Utility Plant at Original Cost	\$ 84,427,320	\$ -	\$ 84,427,320
2	FAS 109 Regulatory Asset (Net)	(1,690,198)	-	(1,690,198)
3	Reserve for Accum. Depr. and Amort.	(23,108,522)	-	(23,108,522)
4	Net Plant	59,628,600	-	59,628,600
5				
6	Additions to Rate Base:			
7	Cash Working Capital	1,564,731	(6,569)	1,559,249
8	Materials and Supplies	649,094	(75,042)	574,052
9	Deferred Maintenance	898,387	-	898,387
10	Reengineering Costs	-	-	-
11		-	-	-
12		-	-	-
13		-	-	-
14		-	-	-
15		-	-	-
16				
17	Deductions from Rate Base:			
18	Contributions in Aid of Construction	(11,507,113)	-	(11,507,113)
19	Accumulated Depr. on Cont. Property	2,397,590	-	2,397,590
20	Customer Advances for Construction	(6,163,892)	-	(6,163,892)
21	Deferred Federal Income Tax	(555,692)	18,654	(537,038)
22	Deferred State Income Tax	(219,871)	8,072	(211,799)
23	Investment Tax Credit - Pre-1971	(24,020)	-	(24,020)
24		-	-	-
25		-	-	-
26				
27	Rate Base	\$ 46,667,814	\$ (54,885)	\$ 46,612,929

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Champaign District

Docket No. 00-0340
ICC Staff Ex. 1.0
Schedule 1.5-CP
Page 1 of 3

Line No	Description (A)	Effect at Company ROR (B)	Effect Of Staff ROR (C)	Effect of Interest Synch. (D)	Rounding (E)	TOTAL REVENUE EFFECT (F)
1	Company Proposed Increase					\$ 1,519,095 (1)
2	Staff Rate of Return applied to COMPANY RATE BASE 8.40% (2)		(361,335)			(361,335)
3	Return on Equity 10.20% (2)					
4	Staff Adjustments - Total RATE BASE (from Page 2 of 3)	(7,862)	425	1,285	-	(6,152)
5						
6	Staff Adjustments - Total INCOME STATEMENT (from page 3 of 3)					(40,781)
7						
8	Revenue Conversion Factor Adjustment					(4,493)
9						
10	Rounding					(2)
11						
12	Total Effect of Staff Proposals					(412,763)
13						
14						
15	Staff Proposed Change to Revenues					\$ 1,106,332 (3)
16						
17						
18	Rounding (Memo Only)			-	(Memo Only)	
19						
20	Staff Rate of Return applied to STAFF RATE BASE (Memo Only)			\$ (360,910)	(Memo Only)	

(1) Source: Company Exhibit 12.0, Schedule C-1, Page 3, Line 1.

(2) Source: ICC Staff Ex. 3.0, Schedule 3.1.

(3) Source: ICC Staff Ex. 1.0, Schedule 1.1-CP, Column (J).

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Champaign District

Docket No. 00-0340
ICC Staff Ex. 1.0
Schedule 1.5-CP
Page 2 of 3

Line No	Description (A)	Exhibit (B)	Effect at Company ROR (1) (C)	Effect Of Staff ROR (2) (D)	Effect of Interest Synch. (3) (E)	Rounding (F)	TOTAL REVENUE EFFECT (4) (G)	Line No
1	Staff Adjustments - RATE BASE							1
2	Cash Working Capital	ICC Staff Ex. 1.0, Sch 1.8-CP	\$ (941)	\$ 51	\$ 154	\$ -	\$ (736)	2
3	Accumulated Deferred Income Taxes	ICC Staff Ex. 1.0, Sch 1.11-CP	3,828	(207)	(626)	1	2,996	3
4	Materials and Supplies	ICC Staff Ex. 2.0, Sch 2.1-CP	(10,749)	581	1,757	(1)	(8,412)	4
5			-	-	-	-	-	5
6			-	-	-	-	-	6
7			-	-	-	-	-	7
8			-	-	-	-	-	8
9			-	-	-	-	-	9
10			-	-	-	-	-	10
11			-	-	-	-	-	11
12			-	-	-	-	-	12
13			-	-	-	-	-	13
14			-	-	-	-	-	14
15			-	-	-	-	-	15
16			-	-	-	-	-	16
17			-	-	-	-	-	17
18			-	-	-	-	-	18
19			-	-	-	-	-	19
20			-	-	-	-	-	20
21			-	-	-	-	-	21
22			-	-	-	-	-	22
23			-	-	-	-	-	23
24			-	-	-	-	-	24
25			-	-	-	-	-	25
26			-	-	-	-	-	26
27								27
28	Subtotal		(7,862)	425	1,285	-	(6,152)	28
29	Rounding		-	-	-	-	-	29
30	Total Revenue Effect of Rate Base Adjustments		<u>\$ (7,862)</u>	<u>\$ 425</u>	<u>\$ 1,285</u>	<u>\$ -</u>	<u>\$ (6,152)</u>	30

(1) Source: Adjustment x Co. ROR x Staff GRCF.

(2) Source: Adjustment x (Staff ROR - Co. ROR) x Staff GRCF.

(3) Source: Adjustment x (Staff Before Tax ROR - Staff After Tax ROR) x Staff GRCF.

(4) Source: Adjustment x Staff After Tax ROR x Staff GRCF.

Illinois-American Water Company
Revenue Effect of Adjustments
For the Test Year Ended December 31, 2001
Champaign District

Docket No. 00-0340
ICC Staff Ex. 1.0
Schedule 1.5-CP
Page 3 of 3

Line No	Description (A)	Exhibit (B)	TOTAL REVENUE EFFECT (1) (C)	Remove Rate Base Portion (2) (D)	Operating Statement Portion (C+D) (E)	Line No
1	Staff Adjustments - Operating Statement					1
2	Interest Synchronization	ICC Staff Ex. 1.0, Sch 1.6-CP	\$ (1,545)	\$ (1,285)	\$ (2,830)	2
3	Rate Case Expense	ICC Staff Ex. 1.0, Sch 1.9-CP	(1,736)	-	(1,736)	3
4	Charitable Contribution Expense	ICC Staff Ex. 1.0, Sch 1.10-CP	(4,255)	-	(4,255)	4
5	Champaign Office Building Lease Expense	ICC Staff Ex. 1.0, Sch 1.12-CP	(31,959)	-	(31,959)	5
6			-	-	-	6
7			-	-	-	7
8			-	-	-	8
9			-	-	-	9
10			-	-	-	10
11			-	-	-	11
12			-	-	-	12
13			-	-	-	13
14			-	-	-	14
15			-	-	-	15
16			-	-	-	16
17			-	-	-	17
18			-	-	-	18
19			-	-	-	19
20			-	-	-	20
21			-	-	-	21
22			-	-	-	22
23			-	-	-	23
24			-	-	-	24
25			-	-	-	25
26			-	-	-	26
27						27
28	Column Subtotal		<u>\$ (39,495)</u>	<u>\$ (1,285)</u>	(40,780)	28
29						29
30	Rounding				(1)	30
31						31
32	Total Revenue Effect of Operating Statement Adjustments				<u>\$ (40,781)</u>	32

(1) Source: Adjustment x Staff GRCF.

(2) Source: ICC Staff Ex. 1.0, Schedule 1.5-CP, Page 2 of 3, Column (E), Line 30.

Illinois-American Water Company
Interest Synchronization Adjustment
For the Test Year Ended December 31, 2001
Champaign District

Line No	Description	Amount
1	Staff Rate Base	\$ 46,612,929 (1)
2	Weighted Cost of Debt	<u>3.8600%</u> (2)
3	Synchronized Interest per Staff	1,799,259
4	Company Interest Expense	<u>1,796,711</u> (3)
5	Increase (Decrease) in Interest Expense (Line 3 - Line 4)	<u>\$ 2,548</u>
6	Increase (Decrease) in State Income Tax Expense (Line 5 * 3.998%)	<u>\$ (102)</u>
7	Increase (Decrease) in Federal Income Tax Expense ((Line 5 - Line 6) * 35%)	<u>\$ (856)</u>

(1) Source: ICC Staff Ex. 1.0, Schedule 1.3-CP, Column (D).

(2) Source: ICC Staff Exhibit 3.0, Schedule 3.1

(3) Source: Company Exhibit 12.0, Schedule No. C-3.11, Page 3 of 9.